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AMMAN 00003335 001.2 OF 003

Classified By: Ambassador R. Stephen Beecroft
for reasons 1.4 (b) and (d).

¶1. (C) Summary. A year after taking office, Jordan's PM Nader Dahabi and his government enjoy strong support from the political elite and average Jordanians. Ongoing concerns about the economy remain, but Dahabi and his government have successfully explained the need for restructuring in the face of fluctuating energy costs and inflation. Jordan's budgetary situation has improved slightly following the government's successful debt buyback and the ending of most fuel subsidies, but work remains on the country's business climate. Political reform is stalled, with Dahabi showing little inclination to move forward legislation to expand public freedoms or encourage further democratization. By keeping a low public profile, focusing on the economy, and limiting his efforts for political reform, Dahabi has maintained the confidence of political elites and the general public in his government. End Summary.

The Mandate

¶2. (SBU) Nader Al-Dahabi was appointed Prime Minister of Jordan in November 2007 with a mandate to push through economic reforms while avoiding resulting instability (Ref J). His government was billed early on as a strong, pro-reform team built to implement the progressive economic and political vision of the King's 2005 National Agenda, which serves as a blueprint for reforms. Dahabi was the right man at the right time. He has a strong business background (honed during stints as the head of Royal Jordanian Airlines and the Aqaba Special Economic Zone Authority), and, unlike the previous PM, has a cooperative relationship with the head of the General Intelligence Directorate, Nader's brother Mohammed Dahabi (Ref I).

¶3. (U) Dahabi became Prime Minister as several worrying economic trends began to manifest themselves. In particular, rising global energy prices placed unprecedented strains on the budgets of average Jordanians and the state. Dahabi was handed the unenviable task of implementing a series of unpopular but necessary economic policies, including the long planned lifting of subsidies on fuel and other commodities. Despite strong fears about a loss of economic and political

security, Dahabi's strong resume led to a historically strong vote of confidence in parliament in November 2007 (Ref J).

¶14. (SBU) For the most part, Dahabi and his team of technocrats have risen to the challenge. On the economic front, they prepared public opinion for the worst, consistently explaining the need to lift subsidies in the face of mounting public anger. Average Jordanians were predictably unhappy with the dent in their pocketbooks, but eventually came to realize that rising global energy prices, not the Dahabi government, were behind lifting of subsidies. Politically, the reform agenda is stalled, partly in recognition that further strains on Jordan's stability would be ill-timed, but partly due to the PM's apparent lack of commitment to political change.

Confidence in PM and Government Remains High

¶15. (SBU) The PM's favorability rating in opinion polls has remained consistently high (Ref G). A Center for Strategic Studies (CSS) poll released on December 4 showed Dahabi's approval rating at sixty-two percent, a number that is unchanged from a year ago. Yet concern remains over economic woes. In an August poll conducted by the International Republican Institute, forty-nine percent of Jordanians said that the country was going in the wrong direction, with more than seventy-nine percent citing as primary concerns economic factors such as the rising cost of living, unemployment, and poverty.

¶16. (SBU) Average Jordanians remain openly pessimistic about the economy. Our contacts frequently contrast recent government claims of economic progress with the situation of the poor, who struggle to buy basic commodities despite a

AMMAN 00003335 002.2 OF 003

recent reversal of inflationary trends. A resident of the rural town of Qadisiyya said that several of his neighbors tampered with their electricity meters to avoid rising energy prices. With the price of meat skyrocketing due to changes in the allocation of fodder subsidies, many families bought cuts of lamb for the Eid Al-Adha holiday rather than the entire animal. Rising prices are even forcing young couples to delay marriage (Ref E). Even so, few seem to connect the economic downturn with the PM's performance, with our contacts portraying Dahabi as doing the best he can with difficult circumstances beyond his control.

¶17. (C) Jordan's political elite generally give Dahabi and his team high marks. While Dahabi has a few populist detractors in parliament who would like to see more in the way of government handouts to ease the transition away from subsidies, he generally retains the confidence of MPs, who see him as a steady hand and accomplished technocrat. The press has generally been kind to Dahabi's government. In his column in pro-reform newspaper Al-Ghad on November 25, Mohammed Abu Rumman noted that "major crises have passed without media clamor" during Dahabi's tenure.

¶18. (C) Dahabi seems to have retained the confidence of the King as well, despite the PM's lack of public enthusiasm for political reform and occasional caution on the economic front. In contrast, former Royal Court Chief Bassem Awadallah, who was brought in with Dahabi as an agent of political change, was recently let go in the face of an increasing crescendo of criticism -- a fate that Dahabi has avoided mostly by toning down his rhetoric and actions on political reform and soothing conservative tribal audiences. We have heard that the King values Dahabi's ability to create harmony and teamwork in the cabinet, a trait that was sorely lacking in previous governments.

Economic Reform: Slow, but So Far Steady Progress

¶9. (SBU) The Dahabi government gets credit for the successful implementation of two ongoing programs intended to improve Jordan's budget situation and large deficit: debt buyback from Paris Club creditors and an end to fuel subsidies. The GOJ signed in March agreements with ten Paris Club members, including the U.S., to buy back \$2.4 billion of its debt with funds from privatization proceeds (Ref A). Aggressive lobbying by the Royal Court and ministers was key to the broad support for the buyback and alternative commitments to debt relief from countries with legal prohibitions on participation. With the same goal of relieving pressure on a tight national budget, Jordan eliminated subsidies on most fuel products in February 2008. The decision unfortunately coincided with an unseasonably cold winter and sharply rising world fuel prices, thus negating anticipated budget savings and creating conditions for potential civil unrest.

¶10. (SBU) A widespread media campaign to inform citizens of the end of subsidies and expansion of the "Social Safety Net" for the poor helped maintain calm. Other measures included expanded welfare payments, increased government salaries, bonuses and retiree benefits, and a housing program for low-income citizens. The most extensive of these programs is the salary increases which will primarily benefit the government's base of East Bankers, who hold the majority of government and military jobs. To pay for these programs, the Dahabi government has trimmed capital expenditures, reallocated tax revenues, and called for greater efficiency and accountability. Ministry of Finance officials are repeatedly being asked to do more with less, and so far their efforts have satisfied Dahabi.

¶11. (SBU) In addition to improving the government's fiscal situation, Jordan's third economic priority is the continued transition from an aid-based to a trade-based economy. While Dahabi's background as chief commissioner in business-minded Aqaba makes him well-suited for the task, progress has been mixed. A significant amount of foreign direct investment from the Gulf has been funneled to Jordan, but falling oil prices and recent Gulf losses in international markets threaten this income source. As a result, Jordan has increased its outreach to Asia (recent trips by the King to China and Korea resulted in openings for future cooperation). Domestically, it will continue to be hindered by complaints from business owners about burdensome government regulation.

Political Reform Stalled

¶12. (C) Dahabi has shown little stomach for political reform, moving forward primarily in response to external

AMMAN 00003335 003.2 OF 003

pressures from the King and Royal Court rather than displaying strong leadership on his own. As PM, he has refrained from taking stands on bills aimed at expanding public freedoms or encouraging further democratization. For example, when a bill to reform Jordan's public gatherings law came to the cabinet in July 2007, the PM allowed security-minded conservatives to shape the legislation so it conflicted with the National Agenda's vision (Ref D). In an ongoing debate over proposed amendments to a new law on associations, Dahabi dragged his feet on empowering civil society, moving forward in November only when the King directly tasked him (Ref C).

¶13. (C) Dahabi is a member of a relatively small tribe, and is seen as a technocrat with no significant political pedigree. To politicians from large tribes who see ministerial posts as their birthright, Dahabi lacks the necessary "connection to the people" -- code for family connections to the East Bank tribal establishment. While his policy record and qualifications remain virtually unchallenged, proponents of reform question Dahabi's ability

to exert power beyond the economic realm and deal with underlying issues of governance, requiring engagement with professional politicians and tribal interests. During the scandal over privatization of public lands during the summer, Dahabi failed to silence defenders of the status quo when their political goals clashed with the government's economic agenda -- an example of the limits of the PM's willingness and ability to cross into the political arena for the sake of reform (Ref G).

Silent Nader

¶14. (C) Dahabi's muted leadership style is a marked contrast from his predecessors. He maintains a low public (and even private) profile, preferring to work behind the scenes on details rather than engaging in extended public debates on the issues of the day. Dahabi avoids meetings with tribal sheikhs, visits to political salons, and extended sojourns to pockets of rural poverty. This keeps him insulated from Jordan's perilous rumor mill and gives him the appearance of being above the fray. He delegates much of the day-to-day public exposure on policy issues to cabinet ministers, who have taken on a corresponding portion of the political risk.

Note: For example, the PM delegated handling of the controversial Law on Associations to Minister of Social Development Hala Lattouf, exposing her to the ire of establishment critics rather than directing the course of public debate himself. End Note. As a result, the debate is now over which ministers will survive a cabinet reshuffle, not whether Dahabi himself should stay or go.

Comment: The Road Ahead

¶15. (C) By avoiding the political limelight, Dahabi and his government have proven remarkably resilient. The experience of former Royal Court Chief Bassem Awadallah demonstrated that active pursuit of political change is the fastest way to alienate the tribal and bureaucratic elite who have a stake in maintaining the status quo. If Dahabi remains intent on pursuing gradual measures on the economic front, he will likely continue to stall on the political side of the equation, pursuing marginal progress to satisfy international donors while delaying or failing to actively support efforts in areas that touch on the sensitive workings of the state.

¶16. (C) Dahabi's "do no harm" governing formula seems to be validated by his strong poll numbers and support in political circles. The wild card in his strategy is the King. Dahabi was brought in as the reformer-in-chief, a role he has only partially fulfilled. His stewardship of the economy has calmed the fears of the establishment, but has not created the expected atmosphere of reform. On the political side, reforms have either stalled or gone backwards, prompting the King to step in on several occasions (such as in the debate over privatization - Ref D) to keep reform on track. For the moment, the King seems satisfied that Dahabi's steady hand in the economic sphere is enough to make up for his lack of enthusiasm in the political sphere.

Beecroft